

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
DEC 10 1991

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] in [REDACTED]. Your stated purposes as shown in your Articles of Incorporation are as follows:

"The sole purpose for which this corporation is formed is to advertise by any and all means or media the products and services of [REDACTED] franchised dealers, members of the corporation.

The general purpose for which this corporation is formed and the activities and objectives to be carried on by it are:

- A. To foster and promote retail trade and commerce in connection with the products and services of the members, and to protect the same from unjust and unlawful exactions and impositions;
- B. To foster and promote the interest of those persons, firms and corporations engaged in the retailing of [REDACTED] vehicles ...
- C. To conduct and operate means and places of disseminating information relative to the use of motor vehicles and to promote the sale of motor vehicles and for such purposes to establish, conduct and manage advertising campaigns, exhibitions, displays, tests, trials and demonstrations;
- D. To promote the establishment and maintenance of a high standard of business ethics by members of the corporation and by all other automobile dealers and to discourage the use of false or misleading advertising or any other business practice which may be detrimental to the public and to the retail automobile industry."

[REDACTED]

You are a membership organization in that you are open to all [REDACTED] Dealers in [REDACTED] and [REDACTED]. There are no classes of members and members do not have voting rights.

Your activities are not described in detail. You do state that your activities will be those outlined in the Articles of Incorporation.

Income to you organization is derived from the [REDACTED] field marketing center.

Expenses are solely for advertising and promotion of [REDACTED] products. You state that "[REDACTED]% of your total gross receipts go to individual dealers for their own advertising programs."

Section 501(c)(6) of the Internal Revenue Code provides exemption from Federal income tax to organizations such as business leagues, chambers of commerce, real-estate boards and other organizations that are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a 501(c)(6) organization as follows:

1. A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit.
2. A business league is an organization of the same general class as a chamber of commerce or board of trade. The activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of services for individual persons.
3. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit even though the business is conducted on a cooperative basis and produces only sufficient income to be self-sustaining is not a business league.

National Muffler Dealers' Association V. U.S. 440 U.S. 472(1979) discusses an organization that applied for tax exempt status under section 501(c)(6). In this case, the organization formed a trade association of franchised muffler dealers. The organization limited its membership to Midas Muffler dealers and its activities to Midas Muffler businesses.

[REDACTED]

Income Tax Regulations 1.501(c)(6)-1 states that a business league is an organization of the same general class as a chamber of commerce or board of trade, and that a tax exempt business league's activities should be directed to the improvement of business conditions in one or more lines of business. Since your organization has confined its activities to [REDACTED] dealers and does not recruit members from organizations that are not a [REDACTED] franchise, you are not an industry-wide organization and you do not meet the line of business requirement of section 501(c)(6).

Revenue Ruling 58-294 published in Cumulative Bulletin 1958-1 on page 244 holds that an organization organized and operated for the purpose of promoting uniform business advertising and fair trade practices of a specified patented product was not a business league within the meaning of section 501(c)(6) since its primary purpose was to further the business interests of the dealers of a single product rather than the industry as a whole.


Revenue Ruling 67-77 published in Cumulative Bulletin 1967-1 on page 138 holds that an organization composed of dealers in a certain make of automobile in a designated area, organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer-members, the sale of that automobile, is performing particular services for its members instead of promoting the common interests of the automotive industry as a whole was not entitled to exemption as a business league.

Based on the information submitted and the applicable law cited above, it is found that your membership and activities are limited to serving only the interests of dealers of a single automobile rather than the automotive industry as a whole. Your activities are found to constitute the performance of particular services for the members of your organization and your business activities also benefit the organization's members by providing them with goods or services.

It is concluded that you do not qualify for tax exemption as an organization described in section 501(c)(6) of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

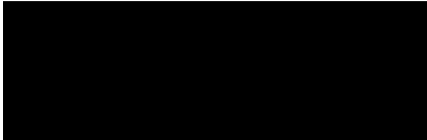


If you do not appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination in this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



District Director

Enclosure: Publication 892